

COMMITTEE ON FINANCE
(Standing Committee of Berkeley County Council)

Chairman: Mr. Steve M. Vaughn, District No. 5

Members: Mr. Milton Farley, District No. 1
Mrs. Judith K. Spooner, District No. 2
Mr. William E. Crosby, District No. 3
Mr. Charles E. Davis, District No. 4
Mrs. Judy C. Mims, District No. 6
Mr. Caldwell Pinckney, Jr. District No. 7
Mr. Henry L. Richardson, Jr., District No. 8
Mr. James H. Rozier, Jr., Supervisor, ex officio

A Special Meeting of the COMMITTEE ON FINANCE met on Monday, February 25, 2002, Berkeley County Office Building, 223 North Live Oak Drive, Moncks Corner, South Carolina, at 6:03 p.m.

PRESENT: Mr. Steve M. Vaughn, Councilmember District No. 5, Chairman; Mr. Milton Farley, Councilmember District No. 1; Mrs. Judith K. Spooner, Councilmember District No. 2; Mr. William E. Crosby, Councilmember District No. 3; Mr. Charles E. Davis, Councilmember District No. 4; Mrs. Judy C. Mims, Councilmember District No. 6; Mr. Caldwell Pinckney, Jr., Councilmember District No. 7; Mr. Henry L. Richardson, Jr., Councilmember District No. 8; Mr. James H. Rozier, Jr., Supervisor, ex officio; Mr. D. Mark Stokes, County Attorney; and Ms. Barbara Austin, Clerk to County Council..

The requirements of the Freedom of Information Act have been complied with by posting the time, date, place and agenda of this meeting of Berkeley County Council at the entrance to the Berkeley County Office Building, 223 N. Live Oak Drive, Moncks Corner, South Carolina, and a copy of such notice was mailed to all Councilmembers, the News media, and organizations and citizens.

Chairman Vaughn called the meeting to order and asked the Committee's pleasure on the Approval of Minutes for Finance Meeting held on January 14, 2002.

It was moved by Councilmember Crosby and seconded by Councilmember Mims to approve the minutes for the meeting held on January 14, 2002. The motion passed by unanimous voice vote of the Committee.

Chairman Vaughn stated the only item on the agenda was in reference to a follow up on the Audit Presentation by Cal Cooper, Finance Director.

Mr. Cooper came forward and introduced the Deputy Finance Director, Kace Smith. He stated Ms. Charlotte Allen from the Auditing Firm was present to answer any questions the Committee might have.

Councilmember Davis: "On Page 21, Item B, it shows that there is \$2,900,000 in Mutual funds, what bank was that?"

Ms. Allen: "Those Mutual funds are funds held by the Berkeley Water and Sanitation Authority at the Bank of New York. As a requirement by law those funds are being held to meet the Debt Service stipulation under their Bond Agreements. When Bonds are issued the Bonding Agency requires one tenth of a payment each year and have synching fund requirements essentially. Berkeley County Water and Sanitation handles those funds themselves."

Councilmember Davis: "Was that the reason it goes up each year?"

Ms. Allen: "It is required to go up."

Councilmember Davis: "Also, on Page 21 a bank balance of \$19,000,000 plus is shown. Were those funds in the same bank?"

Ms. Allen: "That money is in three pages of checking accounts that are handled largely by the Treasurer's Office. Some of them are handled by BCW&SA."

Councilmember Davis: "Are the funds in three different banks or checking accounts?"

Ms. Allen: "It is three pages on an Excel spreadsheet. I don't remember exactly how many accounts there are but it's in the excess of 30 or 40. It also includes accounts that the Clerk of Court, the Magistrates...the Clerk of Court probably has 10 checking accounts for her Escrow requirements. Each Magistrate has his own. Central Traffic has one; the Sheriff has three or four; the Treasurer has about 20."

Supervisor Rozier: "Did you find any problems with any of those?"

Ms. Allen: "No sir."

Councilmember Davis: "On Pages 6 and 7 it shows a fund balance of \$10,458,000. Are some of those funds shown in the \$19,000,000 or was that separate?"

Ms. Allen: "Fund Balance and cash are not describing the same situation. If you have \$10,000,000 cash and owe \$2,000,000 to your vendors on any given date, if that was all there was on the balance sheet you would show a \$8,000,000 fund balance. The cash and the receivables you have less what you owed is going to be the fund balance. They are related numbers but not identical numbers."

Councilmember Davis: "On Page 38, \$459,000 is shown in the C-Fund column but the end of year fund balance shows zero. On Page 48, \$8,200,000 plus is shown in the C-Fund account."

Ms. Allen: "To get a true picture of the Special Revenue Funds, there are four pages involved. The balance sheet is on Page 34, which is what's actually in the Special Revenue Fund. The C-Funds are going to appear on the financial statements in two separate places because the Treasurer administers as an agency fund, as an Escrow for the Transportation Committee, the money that comes from the State. On Page 48, there is an Agency trial balance that has \$8,200,000 in C-Funds. That is money that has been sent to the Transportation Committee and held on their behalf by the County that has not yet been expended for any projects."

Councilmember Davis: "Actually, it goes in there and the Treasurer holds it until we need it, then it's disbursed."

Ms. Allen: "Right, but we are not the only people who need that money. The City of Goose Creek, the Town of Moncks Corner, or any project in the County gets some of that money."

Supervisor Rozier: "Well that's not exactly right. The Town of Moncks Corner and the City of Goose Creek sit on the Committee that make decisions as to where the money is spent. Some of it is spent in Moncks Corner and some of it is spent in Goose Creek."

Ms. Allen: "Yes, it can."

Supervisor Rozier: "It can, but it doesn't necessarily have to; it can be spent on those cities from the funds without going through the city."

Ms. Allen: "It doesn't always and usually in any given year there is one; for instance, the City of Goose Creek will spend the money and request reimbursement; so, the check is written directly from here to them. The County has projects and at that point the money flows into the Special Revenue Fund on Page 38. In this case they expended \$459,000; they requested reimbursement from the Treasurer and received the \$459,000. So, this fund will always have a zero fund balance. Any asset would be due from the treasurer of other governments and would be matched by the invoices you received that hadn't been paid."

Councilmember Pinckney: "In reference to the C-Funds on Page 34, was that money already spent?"

Ms. Allen: "If you are asking does the County usually spend money before they...there is no cash in this account to have been spent or not."

Councilmember Pinckney: "On page 34 under C-Fund, it says \$128,000."

Ms. Allen: "That is a check that is in transit from the State, I would have to look at it because I'm a little puzzled as to why it's actually there. It means that the \$128,000 is due from the Treasurer and should be on the line below that. So, it's money they are claiming from the Treasurer and have not received."

Supervisor Rozier: "In Accounts Payable there is \$6,956.00 and there is a \$121,000 that is due to other funds for a total of \$128,000."

Ms. Allen: "I think that the General Fund may have paid some expenses for the C-Fund. This money can flow from one bucket into another. We spent a lot of time on this and I am comfortable with the numbers but I would have to look at the work papers to see exactly what the story is."

Councilmember Pinckney: "But for all practical purposes, do we have \$8,265,873.00 in C-Funds?"

Ms. Allen: "The Transportation Committee has that amount of money."

Supervisor Rozier: "That doesn't mean that some of it is not committed. There is money being spent and roads being paved. There are currently four roads that is in the process of getting paved. There have been dozens of roads paved in the last several years and roads that are being programmed as we speak. There are roads being paved that we will get bills on later. So, the money is there to pave and improve roads. The Transportation Committee is currently appointed by the Delegation and makes decisions on how the money is spent."

Ms. Allen: "This Financial statement does not report commitments that have been made. The Transportation Committee is the people that have that information, which derived and is maintained in the Finance Department. It is no part of the County financial statement because it is not County money until there have been qualifying expenditures."

Councilmember Pinckney: "I just wanted to make sure whether we had that kind of money for paving roads because that is a concern I have."

Supervisor Rozier: "That is the reason I wanted to make it very clear because there is not \$8,000,000 sitting there available to pave roads. We have roads that were programmed three to four years that the State hadn't gotten around to paving. There have been statements made that we hadn't paved any roads in a while, which is not true. We pave roads each year. In fact, before the Delegation allowed the Transportation Committee, which we recommended, they sat around the table and argued about who got the last road paved and who was going to get the next paved. There was no point system at all. Today, we probably pave and improve eight to ten times as many miles of road as they were doing at that time. In the last three or four years the State has said that if we would spend the bulk of money on State roads they would match those dollars. Of course the money is designed for State and Non-State and we have been spending some of it on State roads to stretch the dollars because they would match it dollar for dollar."

Councilmember Pinckney: "I'm being a little partial, and I'll confess because out of 17 roads that have been recommended for pavement, 11 of them happen to be in District 7."

Councilmember Davis: "What does Sun Trust Leasing do for the County? Do they show up anywhere in the audit?"

Supervisor Rozier: "They bid on Capital Leasing. We go out for bids on interest rates; we buy certain vehicles and heavy equipment. We built an EMS Station with the leasing program and SunTrust Leasing won the bid and was approved by Council."

Councilmember Davis: "Do they pay for lease equipment and contracting? Ms. Allen: "No. When you have a capital lease it's like a dollar buy out. For example, when you lease equipment and pay a dollar at the end. So, in effect you are not renting but buying and that's what these capital leases are. The details that show the outstanding balance are on Page 24 in notes of the financial statement."

Chairman Vaughn: "If you bought it, what would the depreciation factor be?"

Ms. Allen: That's a separate issue. On Page 24, the note indicates that when you get a capital lease agreement they say this is how much we want in payments and we have to back out an amount that represents interest. So, they convert it to a note where there is a principal and interest issue. In governmental accounting, until you implement GASB 34 it does not depreciate.

Chairman Vaughn: "I understood that you would lease it to escape that long-term depreciation."

Ms. Allen: "No, even in the private sector that doesn't play."

Councilmember Davis: "Ms. Allen, when you spoke to us before, you told us that we had a \$3,800,000 excess in the budget. Was any of that money designated for specific purposes in the fund balance?"

Ms. Allen: "On Page 8, it was budgeted to use fund balance to the extent of \$3.8 million after the original budget plus or minus supplemental appropriations."

Councilmember Davis: "Was any of that designated for specific fund purposes?"

Ms. Allen: "No, not in the budgeting process. On Page 4, some of it is designated in the actual fund balance but not very much. The \$2,000,000 designated to be spent in this current year would be allocated to fund balance to that extent for the 2001/2002 budget."

Supervisor Rozier: "We had intended to spend \$3,765,361 of our fund balance and we only spent \$1,895,270. By implementing hiring freezes and cutting costs we saved \$1,870,000; so, instead of reducing our fund balance to \$4,843,000, we actually reduced it to \$6,300,000 because we curtailed our spending. That doesn't mean that we have an excess of money but that we didn't spend as much of our fund balance as we intended, that's good news."

Councilmember Davis: "It says there was a spending excess of \$3.8 million." Ms. Allen: "That is what was budgeted."

Supervisor Rozier: "Council had budgeted to spend that amount and we didn't spend it."

Councilmember Spooner: "That was the exact figure on the revenue side of the budget."

Ms. Allen: "In looking at the current year's budget the exact same thing was done. That number is represented on Page 4 as the \$2,042,000."

Supervisor Rozier: "We have again implemented a hiring freeze, cutting spending, and hopefully, we won't spend the entire \$2,000,000. That doesn't mean we have more money; that means we don't spend some of the money that is intended."

Ms. Allen: "The County budgeted a deficit but just smaller."

Supervisor Rozier: "No, we didn't budget a deficit, we budgeted to spend part of the fund balance and that's not a deficit."

Ms. Allen: "In accounting terms, when your expenditures exceed your revenues you have budgeted a deficit."

Supervisor Rozier: "Counties cannot budget a deficit, it's against the law. We had the money in fund balance; we budgeted to spend part of the fund balance. You call it what you want, but in this room it's not a deficit."

Ms. Allen: "You cannot spend more money than what was left in fund balance and you bring in."

Supervisor Rozier: "We intentionally budgeted that way. Council passed a budget that had intended to spend \$3,765,000 of the fund balance and through good management practices we didn't spend that much."

Councilmember Mims: "What is the balance for Cypress Gardens?"

Ms. Allen: "There are a number of pages that relate to the Enterprise Funds, of which Cypress Gardens is one; it's the Parks and Recreation fund. On Page 44, your total equity as in assets in excess of liabilities is \$1,700,000. The bulk of that is in the contributed systems, some of which came from the City of Charleston when they turned the property over to Berkeley County. Some of it has been funded by the County in Bond issues in instances where the County had spent the money and donated those buildings to the Enterprise funds."

Supervisor Rozier: "First of all it's not money that's sitting there but assets, buildings and equipments. As far as how it was paid for, there were significant contributions from industries to

the tune of a couple million dollars for the buildings. There is about \$2.6 million dollars of total assets.”

Ms. Allen: “This is something for Council to think about in the context of GASB 34, which would be implemented next year. GASB 34 requires that you take another look at the Enterprise Funds to see if they are truly profit-making entities, designed to make a profit or are they ones where you have user fees. For instance, the emergency telephone, which is what led this to be considered a profit-making enterprise because of the user fees involved. Cypress Gardens and the Emergency Telephone are probably going to be more likely considered as Special Revenue Funds under GASB 34, and may well need appropriation from the General Fund, as the Library, to keep operating.”

Supervisor Rozier: “The way it’s being done now is entirely proper but under GASB 34, it has to be done a different way.”

Ms. Allen: “Berkeley County Water and Sanitation is clearly a profit-making enterprise; they exist all over as private entities and similar; and it’s designed to support itself. These other two funds are not necessarily.”

Chairman Vaughn thanked Ms. Allen and indicated that maybe the questions that any Councilmember had were clarified and made them feel more comfortable about the budget.

Councilmember Spooner stated that given the time that was spent and with the Chairman’s request for “any other questions”, that no one on Council should walk out of here this evening and say they didn’t get to ask questions or their questions were not answered.

Supervisor Rozier: “Mr. Davis you have made some statements lately that there was money missing in this County and somebody needs to go to jail. . . do you know of any money that is missing, do you have any specifics?”

Councilmember Davis: “I beg your pardon but I don’t think I did say that.”

Supervisor Rozier: “Forget that, do you have any other questions that you think money may be missing?”

Councilmember Davis: “I never said money was missing.”

Supervisor Rozier: “So you don’t think there is any money missing.”

Councilmember Davis: “No.”

Supervisor Rozier: “On the record, you don’t think there is any money missing.”

Councilmember Davis: “Not that I know of.”

Supervisor Rozier: "Okay, thank you sir, I just want to be sure because if you're going to play politics that's one thing, but if you really think that there is money missing we need to know it. I will tell about one half dozen people they were lying."

Councilmember Pinckney stated he appreciates the Auditor's appearance; however, he hopes this does not rule out the budget workshop. Chairman Vaughn stated, "I bet you we will have one this year."

It was moved by Councilmember Mims and seconded by Councilmember Farley to adjourn. The motion passed by unanimous voice vote of the Committee.

The Meeting adjourned at 6:33 p.m.

March 18, 2002
Date Approved

COMMITTEE ON FINANCE
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Mr. James H. Rozier, Jr., Supervisor, ex officio

There will be a Special Meeting of the COMMITTEE ON FINANCE, Standing Committee of Berkeley County Council, on Monday February 25, 2002, in the Assembly Room, Berkeley County Office Building, 223 North Live Oak Drive, Moncks Corner, South Carolina, at 6:00 p.m.

AGENDA

Approval of Minutes:

January 14, 2002

A. Cal Cooper, Finance Director, Re: Follow up on audit presentation.

February 20 2002
S/Barbara B. Austin
Clerk to County Council